

House Bill 832
The Targeted Economic Development District Act
Revising the Laws Related to Urban Renewal Areas and Tax Increment Financing
Executive Summary
Prepared by Janet Cornish, March 21, 2007

HB 832 is the result of an effort by a statewide group to address concerns expressed during the 2005 session of the Montana Legislature and by administrative officials regarding the appropriate use of Tax Increment Financing (TIF) as a tool in urban renewal and community economic development programs.

Members of this statewide group included:

- The Montana League of Cities and Towns
- The Montana Association of Counties
- The Montana Association of Planners
- Representatives from the Department of Revenue, the State Budget Office and the Governor's Office of Economic Development
- Representatives of several tax increment agencies from across the state
- Consultants who assist communities in establishing TIF districts and in developing financing mechanisms including the issuance of bonds

The primary aim of this legislation is two-fold. **First** HB 832 clarifies the type of TIF districts that can be created. Under current statute, a community may create four types of TIF districts including urban renewal, technology, aerospace and industrial. HB 832 would allow for only two – urban renewal districts and targeted economic development districts (which would encompass technology, aerospace and industrial district types). **Second**, the bill provides for the additional involvement of the Montana Department of Revenue to help assure that TIF districts are formed appropriately and that TIF funds are expended within the limits of the statute. The bill establishes a \$1,000 fee for DOR review and sets a schedule for submittal of documentation.

In addition, the legislation provides clarification regarding the types of activities, which are eligible for TIF support. Following is a brief section by section summary of HB 832.

Section 1 – Short Title

Sections 2 provides the statement of purpose, that the creation of industrial infrastructure is a matter of state policy in encouraging the development of secondary, value-adding industries. Section 2 also prohibits the use of TIF when the primary purpose is to capture growth in taxable value associated with natural resources extraction or the construction of energy generation or transmission facilities.

Section 3 and 4 provide definitions and purposes related to targeted economic development districts, defining a targeted economic development business as a business that is secondary, value- adding industry or a qualifying technology business.

Sections 5, 6 and 7 set forth the requirements for creating a targeted economic development district, including the preparation of a district plan, and a finding that the proposed district is zoned in compliance with the area growth policy. A targeted economic development district may not be larger than 15 square miles.

Section 8 notes the specific applicability of urban renewal statutes to targeted economic development districts.

Section 9 sets forth the procedure for involving the Montana Department of Revenue in the establishment of TIF Districts. **First**, the legislation calls for the notification of the Department of Revenue and the other taxing jurisdictions in advance of the public hearing on the proposed district. **Second**, upon the passage of the ordinance adopting an urban renewal or targeted economic development district plan containing a TIF provision, the municipal attorney must forward a complete transcript of the proceedings along with a \$1,000 fee. The DOR must, within 30 days, determine whether the ordinance was adopted in accordance with statutory requirements.

Section 10 requires that any annual reports filed for a TIF district must also be sent to the Department of Revenue.

Sections 11 and 12 simply insert "targeted economic development district" into existing authorizations and definitions related to TIF.

Section 13 provides for revisions in a TIF related ordinance in response to a DOR's determination of non-compliance with the statute.

Section 14 is critical and requires that a municipality must submit the documentation regarding the creation of a TIF to the Department of Revenue no later than February 1st in order to set the base for the purposes of calculating the increment in the current year. The following year will be set as the base if documentation is received after February 1st.

Sections 15, 16 and 17 insert "targeted economic development districts" into existing TIF language.

Section 17, part 13 limits the use of TIF for revolving loan funds to 25% of the increment available from each year's increment. Loans may be made to private property owners or lessees to finance façade improvements and to bring buildings into compliance with fire, building and other safety codes.

Sections 18 through 27, regarding bonding, unused portions of remaining funds, provide technical edits.

Section 28 is for codification

Section 29 sets the effective date at July 1st, 2007.

Section 30 addresses applicability.

Table 1. Tax Increment Financing in Montana ~ October 9th, 2006

Prepared by Janet Cornish, CDS of Montana on behalf of the Governor's Office of Economic Development									
City/County	District Name	Year Created	Sunset Year	Type	Historical Base	Base Taxable Value	Current/Sunset Taxable Value	Incremental Taxable Value	Bonds Issued*
Anaconda-Deer Lodge	Central Business District	1996	2012	Urban Renewal		\$431,346.00	\$516,654.00	\$85,308.00	
Anaconda-Deer Lodge	Industrial District #1	1996	2012	Industrial		\$39,274.00	\$56,664.00	\$17,390.00	
Anaconda-Deer Lodge	Industrial District Remainder	1996	2012	Industrial		\$18,153.00	\$16,537.00	\$0.00	
		1976 with expansions in 1984 and 2004							
Billings	TIF District		2008	Urban Renewal		\$4,753,583.00	\$9,574,717.00	\$4,821,134.00	\$27,070,000.00
	Downtown Bozeman Urban Renewal District	1996	2011	Urban Renewal	\$1,942,791.00	\$1,858,491.00	\$2,703,067.00	\$844,576.00	
Bozeman	Northeast Urban Renewal District	2005	2020	Urban Renewal		not yet certified	no value established	\$0.00	
Bozeman	North Seventh (proposed)	2006 or 2007	2021 or 2022	Urban Renewal		not yet certified	no value established		
Butte-Silver Bow	URA	1980	2014	Urban Renewal		\$1,638,006.00	\$4,576,199.00	\$2,938,193.00	\$2,805,000.00
Butte-Silver Bow	RRA	2005	2020	Urban Renewal		\$286,628.00	\$281,505.00		
	TIFID								
Butte-Silver Bow (s)	#1/Safeway Warehouse	1989	2001	Industrial		\$5,027.00	\$110,357.00	\$105,330.00	
Butte-Silver Bow	Ramsay TIFID #2	1994	2023	Industrial		\$1,721,382.00	\$9,011,034.00	\$7,289,652.00	\$41,220,000.00
Eureka	Riverside Industrial District	2001	2016	Urban Renewal		\$350,065.00	\$358,697.00	\$8,632.00	
Fallon County	Fort Benton TIF District	2005	2020	Industrial					
Fort Benton	Downtown Urban Renewal	1999	2014	Urban Renewal		\$159,905.00	\$184,517.00	\$24,612.00	
Great Falls		1977	2009	Urban Renewal		\$7,750,411.00	\$8,902,107.00	\$1,151,696.00	\$29,380,000.00

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Great Falls	Agricultural & Technology/IMC American	2005	2020	Industrial		\$353,466.00	\$494,811.00	\$141,345.00	
Great Falls	Ethanol District	1996	2011	Industrial		never certified	no value established		
Great Falls	Pasta/General Mills	1997	2004	Industrial		\$381,071.00	\$1,087,358.00	\$706,287.00	
Hardin	Hardin Industrial Infrastructure District	2004	2019	Industrial		\$482,286.00	\$465,525.00	\$0.00	
	Consolidated Central Helena Urban Renewal Area	1978	2005	Urban Renewal		\$894,952.00	\$1,626,629.00	\$731,677.00	\$6,795,000.00
Helena (s)	Westside TIF	1997	2010	Urban Renewal		\$3,222,347.00	\$3,419,835.00	\$197,488.00	\$2,500,000.00
Kalispell	Old School Station TIF**	2005	2021	Technology		\$390.00	\$390.00		\$4,520,000.00
Kalispell	Old School Station TIF	2005	2021	Industrial		\$128.00	\$128.00		
Kalispell	Airport/Athletic Complex	1996	2020	Urban Renewal	\$531,713.00	\$453,612.00	\$951,016.00	\$497,404.00	\$2,000,000.00
Kalispell	Downtown	1982	2003	Urban Renewal		\$4,564,171.00	\$5,939,016.00	\$1,374,845.00	\$2,101,000.00
	Kootenai Business Park Industrial District								
Lincoln County		2005	2021	Industrial		\$85,666.00	\$74,681.00		
	Downtown	2003	2018	Urban Renewal		\$1,604,273.00	\$1,688,378.00	\$84,105.00	\$1,032,000.00
Livingston	West End	2004	2024	Industrial		\$128.00	\$42,440.00	\$42,312.00	
	Urban Renewal District								
Missoula (s)	1/Downtown District	1978	2005	Urban Renewal	\$4,737,337.00	\$5,973,987.00	\$8,683,811.00	\$2,709,824.00	\$3,000,000.00
	Urban Renewal District II (URD II)	1991	2031	Urban Renewal		\$1,859,823.00	\$2,971,734.00	\$1,111,911.00	\$3,600,000.00

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Missoula	Urban Renewal District III (URD III)	2000	2015	Urban Renewal	\$7,004,346.00	\$7,004,346.00	\$7,698,594.00	\$694,248.00	
	Industrial District	1991	2018	Industrial		\$176,605.00	\$1,775,065.00	\$1,598,460.00	\$7,410,000.00
Missoula	Technology District	2005	2020	Technology		\$0.00			\$1,500,000.00
Polson	Downtown Polson	1997	2012	Urban Renewal		\$1,383,251.00	\$1,330,689.00		
Whitefish	Whitefish Tax Increment District	1987	2020	Urban Renewal	\$4,681,297.00	\$4,185,352.00	\$8,387,001.00	\$4,201,649.00	\$9,900,000.00
Totals						\$51,638,125.00	\$82,929,156.00	\$31,378,078.00	\$144,833,000.00
	Notes:								
	(s) Sunsetted District								
	* Bond Amounts include re-funding issues								
	** Two Districts Created -- one Industrial and one technology								